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OF MICHIGAN

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## SB 991 Sales Tax on Core Charges

*NOTE: Since sales tax only pertains to "Parts" and not labor, for the sake of examples below we have not included labor to keep it simple and ALL sales tax is calculated at 6%.*

**PURCHASE:** Repair facility buys a remanufactured starter for \$325.00 that has a core charge of \$50.00. Current sales tax rate is 6%.

Starter	\$325.00
Sales Tax on Starter	\$ 19.50
Core Charge	\$ 50.00
Sales Tax on Core Charge	\$ 3.00
Total Transaction	\$397.50 – charged to customer

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**EXAMPLE 1:** Repair facility returns old starter for refund on Core Charge. What does the customer receive off their invoice?

**MICHIGAN:**

- \$50.00 deducted for the Core Charge, State keeps Sales Tax

**OTHER STATES:**

- \$53.00 deducted for the Core Charge & Sales Tax on Core Charge

**EXAMPLE 2:** Repair facility has the old starter off of the vehicle and hands it to the parts delivery person when the remanufactured starter is delivered – core is exchanged. What is the final invoice to the customer?

**MICHIGAN:**

Starter	\$325.00
Sales Tax on Starter	\$ 19.50
Core Charge	\$ 0.00
Sales Tax on Core Charge	\$ 3.00 – NOT REFUNDED
Total Transaction	\$347.50 – charged to customer

**OTHER STATES:**

Starter	\$325.00
Sales Tax on Starter	\$ 19.50
Core Charge	\$ 0.00
Sales Tax on Core Charge	\$ 0.00 – REFUNDED
Total Transaction	\$344.50 – charged to customer

<i>Facility Type</i>	<i>2015 Total Sales</i>	<i>2015 Total Parts Sales</i>	<i>Core Charge Sales</i>	<i>Non-Refundable Core Charge*</i>
<i>Collision</i>	\$1,313,192.76	\$499,534.07	\$ 2,494.48	\$ 921.67
<i>Mechanical</i>	\$ 723,252.66	\$329,995.00	\$ 8,123.08	\$ 273.75

\*-Non-Refundable Core means that part was not reusable or customer decided to keep the core.